

<b>Item No.</b> N/A	<b>Classification:</b> Open	<b>Date:</b> 16 February 2024	<b>Decision Taker:</b> Strategic Director of Finance
<b>Report title:</b>		<b>Gateway 3 - Contract Award Approval</b> Ledbury Estate Development RIBA 3+/4A Architect Appointment	
<b>Ward(s) or groups affected:</b>		Old Kent Road	
<b>From:</b>		Managing Director, Southwark Construction	

### RECOMMENDATION(S)

That the Strategic Director of Finance

1. Approves the retrospective variation to the appointment of Karakusevic Carson Architects (KCA) for the RIBA stage 3+/4A designs for the Ledbury Estate Redevelopment for a value of £1,249,846 together with the re-design of Phase 1 tower required, as set out in paragraphs 5-7, for a value of £147,047 resulting in a total variation of £1,396,893.
2. Notes this Gateway (GW) 3 report seeks retrospective approval for the changes set out below in line with Contract Standing Order 6.7 and will be presented to the Audit, Governance and Standards Committee in February 2024

### BACKGROUND INFORMATION

3. KCA were appointed for the initial RIBA Stages of 0-3+/4 following a competitive tender exercise utilising the LHC Architectural Design Services Framework. RIBA stages 0-3+/4 entail working through designs from feasibility proposals, consulting on those proposals, through to submission for planning approval. The original appointment ran from July 2021 through to February 2022; the full details of this appointment are set out in the GW2 report dated 26 July 2021.

### KEY ISSUES FOR CONSIDERATION

#### Key Aspects of Proposed Variation

4. As set out in paragraphs 8 to 10 below, KCA were asked to submit additional fees to complete the designs to RIBA Stage 4a on 9 February 2022. This is where the technical coordinated designs, following approval by planning, are prepared in readiness for handover to the main contractor to turn into construction drawings. The fees were reviewed and the proposal was subsequently agreed by the Managing Director of Southwark

Construction, in consultation with the then Strategic Director of Housing, on 9 May 2022.

5. In December 2022 the government issued a consultation in relation to staircases in residential buildings, which mandates two staircases in residential buildings over 30 metres in height. The consultation also made it clear that there will be a very short transition period and that developers should start preparing for this now.
6. As the forthcoming amendment to the national statutory guidance Fire Safety: Approved Document B was predicted to come into force in October 2023, the Greater London Authority (GLA) confirmed in late January 2023 that they will not accept any proposals being referred at Stage 2 which include residential buildings over 30 metres in height with single staircases as they will not be able to demonstrate the highest standards of fire safety in accordance with London Plan Policy D12.
7. Whilst the proposals for the Ledbury Estate achieved planning approval prior to 23 December 2022 it was considered, in consultation with the (formerly titled) Cabinet Member for Council Homes and Homelessness, that there was still an opportunity to ensure the tower on the Phase 1 site, in excess of 30m (block A2), complies with the new two stair core requirement and a fee proposal was sought from KCA for the re-design. The fee proposal was received on 23 January 2023 and was confirmed by the Strategic Lead, following consultation with the Managing Director of Southwark Construction, on 31 January 2023.

### **Reasons for Variation**

8. As the design developed towards the planning submission, it became apparent that the total value of the main works would be much higher than the £100m originally proposed, with the pre-tender estimate reaching £179,569,953.
9. The increase in the total works cost was the result of inflationary increases across the market due to events such as the war in Eastern Europe (Russia and Ukraine conflict), the impacts of Brexit and the global cost of living crisis. The war in particular has seen construction materials manufactured in Europe using coal, oil or gas such as brick, block, steel and glass affected by changes in the market pricing of fossil fuel commodities due to the conflict. With regards to labour, cost of living increases due to reduced trade in commodities such as oil, gas and grain has resulted in increases in labour rates.
10. As a result of the increase in main works contract value, and the fact the original appointment was linked to the works value, the original appointment would no longer be able to deliver the design up to RIBA Stage 4 and designs were only completed for planning submission, at RIBA Stage 3. Further design development was then required for RIBA Stages 3+/4a and a fee proposal for this was received on 9 February 2022. The fees were

reviewed and the proposal was subsequently agreed by the Managing Director of Southwark Construction, in consultation with the then Strategic Director of Housing.

### **Future Proposals for this Service**

11. The design services, as appointed by the council, for this project have now concluded and as part of the main works appointment, KCA are now engaged by Higgins Partnership to finalise the designs for construction.

### **Alternative Options Considered**

12. No alternative options were considered in this instance, due to the experienced service that was provided, together with the historical knowledge of the design and engagement process. The resident design group were fully engaged and keen to ensure a consistent design team to allow designs to be developed in line with the Landlord offer document and the many rounds of consultation.

### **Identified risks for the Variation**

- 13.

<b>Risk</b>		<b>Risk level</b>	<b>Mitigation action</b>
1.	KCA has inadequate resources to deliver the designs for this project	Low	<ul style="list-style-type: none"> <li>• KCA allocated a full design team from across the service, including senior architects, which ensured sufficient resources on this project.</li> </ul>
2.	KCA becomes insolvent, ceases trading and goes into administration	Low	<ul style="list-style-type: none"> <li>• As part of due diligence a credit check was carried out on KCA proving the company to be financially sound and in line with 'the council's thresholds'.</li> </ul>
3.	Market conditions	Medium	<ul style="list-style-type: none"> <li>• Current market conditions are affecting labour shortages and price inflation. This was monitored and the design team was fully resourced throughout to ensure the project is sufficiently resourced.</li> </ul>

### **Policy framework implications**

14. The new homes delivered through Southwark Construction are in line with the council's principles and vision for a new housing strategy, which is aimed at increasing the availability, affordability and quality of homes in the borough.
15. This procurement has supported the council's Fairer Futures Commitment – A place to belong to. The new homes will play a key role in assisting the council achieving its targets for building council homes.

16. This procurement was subject to the Fairer Future Procurement Framework (FFPF). The competitive tender process initially undertaken has ensured that the council is receiving value for money and delivering added social value.
17. The long term housing vision for the borough sets a clear policy direction for the council that directly impacts the delivery of the new homes set out in this report. The vision comprises four overall principles:
  - a. The council will use every tool at our disposal to increase the supply of all kinds of homes across Southwark.
  - b. The council will demand the highest standards of quality, making Southwark a place where you will not know whether you are visiting homes in private, housing association or council ownership.
  - c. The council will support and encourage all residents to take pride and responsibility in their homes and local areas.
18. The council will help vulnerable individuals and families to meet their housing needs and live as independently as possible.

### **Contract management and monitoring**

19. The council's contract register publishes the details of all contracts over £5,000 in value to meet the obligations of the Local Government Transparency Code. The Report Author must ensure that all appropriate details of this procurement are added to the contract register via the eProcurement System.
20. Annual performance review will be carried out in line with the council's Contracts Standing Orders (CSOs)

### **Community, equalities (including socio-economic) and health impacts**

#### **Community impact statement**

21. The redevelopment proposals entail the demolition of 224 homes, which are no longer fit for purpose and beyond economic repair. The re-provision of those homes, plus an additional 116 homes, will be of a high quality and compliant with current statutory policies, requirements and regulations including fire safety and sustainability.
22. Demolition of the first tower block is the first stage of works towards delivering these new homes. The completed works will enable residents the option to return to the estate to permanent homes, which will afford them peace of mind. In addition to this, residents will enjoy homes of the same space standards of their previous homes or above in line with the terms set out in the Landlord Offer document.
23. The provision of half of the additional homes (based on habitable room) for council rent will help address housing need identified on the Ledbury Estate

and provide homes for others across the borough with most need for safe and secure housing.

24. The wider Ledbury community will directly benefit from the re-provision of new and improved facilities, namely a new tenants and residents association (T&RA) hall designed as the hub of the community, a new football area and other play space. Following feedback from younger residents, there will also be improvements made to the skate park area/BMX track located in Bird in Bush Park, between the Phase 1 and 2 sites.
25. There will also be an increase in both the quantum and usability of green space on both development areas, as well as an increase in size/amount and variety of play space. In addition, there will be a series of small interventions across the estate to help integrate the new provision with the existing homes, such as an improvement to the Bromyard courtyard area.
26. All of the above has been designed with close engagement with the Resident Design Group and feedback from the community gathered from extensive public consultation

#### **Equalities (including socio-economic) impact statement**

27. The new genuinely affordable homes will be available to people on the council's housing waiting list. The council's equality and diversity policies will be adhered to during the Ledbury specific letting process.

#### **Health impact statement**

28. The redevelopment of the Ledbury Towers is essential to address the health and fire safety issues identified in 2017 resulting in the temporary rehousing of the vast majority of households.
29. Permanent homes will enable residents with health issues and those who may have been in homes that no longer suited their needs the opportunity to move to more suitable homes. This will have a positive health impact on all these households as this address both their physical and mental well-being.
30. The provision of new quality homes provides a positive impact on health inequalities, as the new homes will be designed to current quality and space standards that will contribute towards addressing health inequalities.
31. The proposals to increase the supply of affordable, good quality homes will benefits households in need from all Southwark communities, and will increase the housing options available for older people and people with disabilities

## **Climate change implications**

32. On 18 June 2019, the council's cabinet agreed the resolution passed by the council assembly on 27 March 2019 to "declare a Climate Emergency and do all it can to make the borough carbon neutral by 2030." The cabinet noted "that there are considerable financial savings to be made by 'going green', whether it be more energy efficient lighting, smart meters at council properties, or piloting energy generation schemes such as installing solar panels on council properties.
33. The Government estimates that residential buildings account for 27% of Southwark's carbon emissions. The council's direct emissions account for 12% of the borough's emissions and council housing is the second largest contributor to carbon emissions at 14%.
34. The proposed redevelopment has been designed to meet the highest energy and sustainability targets in line with both the council's and GLA policies. The energy strategy will follow the four step Energy Hierarchy outlined in the London Plan:
  - Be Lean: fabric first approach with low u-values and air permeability, high efficient lighting and mechanical ventilation to reduce energy demand as well as insulation levels in excess of building regulation requirements
  - Be Clean: connection to the South East London Combined Heat and Power (SELCHP) district heating network for low carbon heating and hot water supply to all uses in the development will result in an 89.1% carbon emissions saving
  - Be Green: inclusion of solar photovoltaic (PV) has been maximised on all available roof space
  - Be Seen: the development will incorporate a monitoring strategy to reduce the performance gap
35. Through this strategy the carbon reduction on site should be significantly above the London Plan minimum target of 35% reduction in regulated carbon dioxide emissions and the development will contribute to a low carbon future.
36. The completion of the new homes will enable residents, who choose to return, the opportunity to return to energy efficient homes compliant with that latest policies and regulations.

## **Social Value considerations**

37. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well-being of the local area can be secured. The social value considerations included in the tender (as outlined in the GW 1 report) are set out in the following

paragraphs in relation to the tender responses, evaluation and commitments to be delivered under the proposed contract.

### **Economic considerations**

38. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, contractors engaged by the council to provide works or services within Southwark pay their staff at a minimum rate equivalent to the LLW rate. The new homes programme is a strategically important undertaking for the council and its benefits are expected to be realised in a number of ways, including the recruitment of qualified staff, retention of staff and an improved service delivery to the council.
39. Quality improvements and costs implications linked to the payment of LLW have been monitored as part of the contract review process and will continue to be so.

### **Social considerations**

40. The council's CSOs state that where contracts have a value exceeding £1m, there is a requirement for at least one apprenticeship to be provided by the team.
41. As part of the initial appointment in 2021, KCA committed to demonstrating:
  - User & Community Needs: develop an approach to designing for the various needs of the community
  - Collaboration with Unrepresented Groups: develop an approach to collaborating with unrepresented groups
  - Equality & Diversity: confirm details of practice and project team diversity and what the organisation did to encourage diversity
42. In response to these commitments, KCA confirmed the following initiatives were established and have continued throughout the additional design work:
  - **Capacity Building for the Resident Design Group (RDG):** KCA worked with the Glass-House Community-Led Design to deliver tailored design training workshops for the Resident Design Group between September and November 2021, providing valuable skills and knowledge for residents to support their involvement in the co-design and engagement programme. These meetings continue to inform the design process through regular monthly design meetings, workshops and public consultations.
  - **Combating the long-term effects of the Covid-19 pandemic and promoting mixed and intergenerational communities:** Open, public events and workshops on the developing designs were

delivered throughout the programme, designed to generate excitement about the project and re-ignite a sense of community. This has included topic-specific events covering play spaces, space for teenagers and young girls and community space. This programme of events culminated in a community event in June 2023, showcasing a short documentary film. KCA commissioned a local film maker to create the film, alongside portrait photos of residents in their home and on the estate. The film and photography project were an opportunity to capture life and experiences of the estate before the new designs are built, and to promote integration between different generations living on the estate.

- Economic relief and opportunities for young people:** The public events aimed to bring families out into the open, and to re-start discussions amongst community members about the future of the estate. Alongside these, KCA focused on providing economic relief for young people, including paid employment and work experience opportunities to support engagement activities, while student bursaries have directly funded young people looking to pursue careers in design, engineering and law. Across both KCAs social value and engagement programmes, they have worked with local supply chains to ensure KCA are maximising economic support to businesses in the neighbourhood by spending within the local economy. KCA have also donated to the local animation and film group the Rainbow Collective, supporting their summer programme with children and young people.

### Environmental/Sustainability considerations

- By investing in high quality, well designed buildings and estates the council aims to achieve positive impacts which will benefit the environment and increase the stock of environmentally friendly buildings across the borough.
- As part of the design development process, there will be a requirement for environmental assessments to be completed, with a view to identifying what impact would be caused by any proposed development.

### Financial implications

- The following table sets out the previous contracts awarded to KCA together with the variations for specific areas of design work.

Contract	GW2	GW3	Variance
RIBA Stage 0-3 and 3+/4A and second stair case (This report)	£1,363,400	£2,613,246	£1,249,846
Second Staircase (This report)	£0	£147,047	£147,047



<b>Contract</b>	<b>GW2</b>	<b>GW3</b>	<b>Variance</b>
RIBA Stage 0-3 Rechargeable sub-consultant & planning report fees	£187,578	£187,578	-
RIBA Stage 0-3 Rechargeable sub-consultant fees for Bid in Bush BMX track and related planning application and surveys	£31,395	£31,395	-
<b>Total</b>	<b>£1,582,373</b>	<b>£2,979,266</b>	<b>£1,396,893</b>

46. The projected cash flow for this project is as set out in the table below:

	<b>Demolition &amp; Works Costs</b>	<b>Contingency &amp; Prof. fees</b>	<b>KCA Fees</b>	<b>Total</b>
Previous Years (spend to date)	£20,000	£1,953,786	£2,919,622	<b>£4,893,408</b>
2023/24	£666,180	£3,115,515	£59,644	<b>£3,841,339</b>
2024/25	£15,624,611	£3,482,054		<b>£19,106,665</b>
2025/26	£15,738,350	£4,482,054		<b>£20,220,404</b>
2026/27	£12,018,751	£4,482,054		<b>£16,500,805</b>
2027/28	£31,772,802	£4,482,054		<b>£36,254,856</b>
2028/29	£32,345,100	£3,882,054		<b>£36,227,154</b>
2029/30	£31,988,399	£4,222,665		<b>£36,211,064</b>
Retention	£37,371,363	£1,372,942		<b>£38,744,305</b>
<b>Total</b>	<b>£177,545,556</b>	<b>£31,475,178</b>	<b>£2,979,266</b>	<b>£212,000,000</b>

47. In October 2022 cabinet approved a revised total budget of £212m for the Ledbury Estate redevelopment, noting the works budget was estimated at £180m. The cost for these contracts has been able to be managed within the approved Ledbury Estate redevelopment project budget, and is funded from Housing Revenue Account (HRA) resources supporting the Housing Investment Programme including grant funding (£32,500,000) and borrowing. This contract will be charged to WBS code H-8888-9842.01

### **Legal implications**

48. Please see the legal concurrence of the Assistant Chief Executive for Governance and Assurance

## **Consultation**

49. Local residents have been fully involved in consultation meetings with council officers since the beginning of the design process in March 2021 as outlined in the Charter of Principles agreed by cabinet in November 2014.
50. Residents continue to be involved throughout the design development and will shortly be updated on the detailed design development for Phase 1 and reviewing the designs for Phase 2. Resident Project Group meetings are held monthly and attended by the Southwark Construction project manager as well as sharing of regular newsletters and updates

## **Other implications or issues**

51. None identified

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Finance (H&M23/084)**

52. The reports seeks retrospective approval from the Director of Finance to vary the appointment of Karakusevic Carson Architects (KCA) for the RIBA stage 3+/4A designs for the Ledbury Estate Redevelopment for a total value of £1,249,846 together with the re-design of Phase 1 tower for a total value of £147,047 resulting in total variation of £1,396,893. The reasons for the variations are detailed in the report.
53. It is noted that the contract is financially complete and can be contained within the approved budget. The financial implications section details how these are funded.

### **Head of Procurement**

54. This reports seeks retrospective approval from the Strategic Director of Finance to vary the appointment of Karakusevic Carson Architects (KCA) for the RIBA stage 3+/4A designs for the Ledbury Estate Redevelopment for a total value of £1,249,846 together with the re-design of Phase 1 tower for a total value of £147,047. Making the total variation £1,396,893.
55. The Strategic Director of Finance notes the reasons for the variation are detailed in paragraphs 8 to 10, the risks are detailed in paragraph 13, management and monitoring of the contract are detailed in paragraphs 19 to 20, the impact on equalities, health and climate change are detailed in paragraphs 27 to 36, confirmation of the payment of London Living Wage is detailed in paragraph 38, there are NO additional social value commitments.

## **Assistant Chief Executive – Governance and Assurance**

56. This report seeks the retrospective approval of the Strategic Director of Finance to a variation of the architect's contract for the Ledbury Estate redevelopment which is being performed by Karakusevic Carson Architects for the RIBA stage 3+/4A design for a value of £1, 249,846 together with the redesign of Phase 1 tower as set out in paragraphs 5-7 of this report for a value of £147,047 making a total variation of £1,396,893.
57. The Strategic Director of Finance is also requested to note that as this report is seeks a retrospective approval, it will be presented to the Audit, Governance and Standard Committee in accordance with the council's Contract Standing Order 6.7, in February 2024.
58. Paragraphs 4 to 10 of this report outline the key aspects of the variations and the reasons why the variations are necessary.
59. The original contract was awarded in accordance with the Public Contracts Regulations 2015 (PCR 2015) and it is therefore necessary to ensure that any variation of that contract is permitted within those regulations. Regulation 72 of the PCR 2015 permits modifications to be made to contracts during their term, in certain circumstances. This includes at regulation 72(1)(e) where the modification, irrespective of their value, is not substantial within the meaning of regulation 72(8). Having considered the circumstances noted in regulation 72(8) that notes those modification which are considered substantial, it is felt that the architect contract can be varied under this provision.
60. Contracts Standing Order 2.3 requires that no steps are taken to vary a contract unless the expenditure involved has been included in approved revenue or capital estimates, or is otherwise approved by the council. Paragraph 45 to 47 of this report confirms how the proposed additional expenditure will be resourced.

### **PART A – TO BE COMPLETED FOR ALL DELEGATED DECISIONS**

Under the powers delegated to me in accordance with the council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report (and as otherwise recorded in Part B below).

Signature: Clive Palfreyman .....

Date: 16/02/21.....

Designation: Strategic Director of Finance.....

### **PART B – TO BE COMPLETED BY THE DECISION TAKER FOR:**

- 1) All key decisions taken by officers
- 2) Any non-key decisions that are sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available (see 'FOR DELEGATED DECISIONS' section of the guidance).

**1. DECISION(S)**

As set out in the recommendations of the report.

**2. REASONS FOR DECISION**

As set out in the report.

**3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION**

Not applicable.

**4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION**

Not Applicable

**5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST**

*If a decision taker or cabinet member is unsure as to whether there is a conflict of interest they should contact the legal governance team for advice.*

None

**6. DECLARATION ON CONFLICTS OF INTERESTS**

**I declare that I was informed of no conflicts of interests.\***

**or**

**~~I declare that I was informed of the conflicts of interests set out in Part B4.\*~~**

(\* - Please delete as appropriate)

## BACKGROUND DOCUMENTS

Background documents	Held At	Contact
GW2 Architectural Services for Ledbury Estate	Southwark Construction	Laura James 020 7525 5352
Link: <a href="#">Issue details - Gateway 2 Ledbury Estate Architect Procurement - Southwark Council</a>		

## APPENDICES

No	Title
None	

## AUDIT TRAIL

<b>Lead Officer</b>	David Quirke-Thornton, Strategic Director of Children's and Adults' Services covering the role of the Strategic Director of Housing	
<b>Report Author</b>	Laura James, Senior Project Manager	
<b>Version</b>	Final	
<b>Dated</b>	7 February 2024	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Finance	Yes	Yes
Head of Procurement	Yes	Yes
Assistant Chief Executive – Governance and Assurance	Yes	Yes
Cabinet Member	Yes	No
<b>Contract Review Boards</b>		
Departmental Contract Review Board	Yes	Yes
<b>Cabinet</b>	N/A	N/A
<b>Date final report sent to Constitutional Team</b>		16 February 2024